

Application/Control Number: 10/035,890

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**Detailed Action*****Response to Amendment***

Claims 1-10 are pending. This action is in response to the RCE received August 24, 2006.

***Response to Arguments***

Applicant's arguments with respect to claims 1-10 have been considered but are moot in view of the new ground(s) of rejection.

**Claim Rejections - 35 usc § 103**

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

- (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-10 are rejected under 35 U.S.C. 103(a) as being unpatentable over Peters et al.(US 2003/0088489) in view of Segal (US 6,615,181).

We request reinstatement of our claims and request a patent be issued in that the subject matters as a whole would not be obvious to a person of ordinary skill in the art to which the subject matters pertain. In Peters, the subject matter assesses attitudes toward investment risk and maximizing investments in light of these attitudes. In Segal, the subject matter is directed toward providing a deterrent to frivolous malpractice claims and to creating a insurance premium. These subject matters are entirely different from the subject matter of assessing risk of loss.

We delineate the basis for our request for reinstatement in our responses in bold following each of the rejections.

Our responses can be summarized as follows:

1. **Peters' use of the term 'risk assessment' is not the same as our use the term in our application. As detailed below, Peters uses the term in connection with assessing an investor's general attitude towards risk, and not to determine the possibility of loss. Making the connection from an approach that assesses third party attitudes to one of assessing a real potential for loss would not be obvious to a person of ordinary**

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skill in the art. In Peters, the art of assessing attitudes and maximizing the return on an investment portfolio is distinctly different from the art of analyzing the potential for real loss from legal, technological or business causes.

2. Peters also uses the term 'risk' interchangeably with 'standard deviations from the efficient frontier'. In other words 'risk' in Peters is the probability that the expected return will not occur. The focus is on an 'investment return' not on determining risk by examining the underlying causes and parameters of a situation. If Peters determined the risk in an investment by assessing the underlying parameters of a given investment (profitability, assets, market share, market growth, numbers of competitors, and the like), then it would be obvious to a person having ordinary skill in the art that his assessment of risk would be similar to ours. That, however, is not the case. Peters' art is assessing attitudes and potential of not maximizing investment. Assessing attitudes, or the potential of not maximizing an investment are different arts than assessing the risk of loss.
3. Segal's teaching is directed toward the creation of an insurance premium. It would not be obvious to one of ordinary skill in the art of creating a premium that it is the same as the art involved in assessing the risk of a loss, or potential loss. In fact the teachings are not the same. While Segal uses some similar terms for information and data, the objectives and summary describe wholly different processes and represent different arts. Accordingly, the comparison is inappropriate.
4. A person of ordinary skill in the art to which the subject matter pertains in Peter's case would be a person skilled in the art of maximizing investment opportunities, or assessing attitudes. A person of ordinary skill in the art to which the subject matter pertains in Nagan would be a person skilled in assessing the potential for loss. Neither invention would be obvious to persons of ordinary skill in the other invention as they are operating in an entirely different arts and in entirely different professional fields.
5. A person of ordinary skill in the art to which the subject matter pertains in Segal's case would be a person skilled in the art of creation of an insurance premium. A person of ordinary skill in the art to which the subject matter pertains in Nagan would be a person skilled in assessing the potential for loss. Neither invention would be obvious to persons of ordinary skill in the other invention as they are operating in an entirely different arts and in entirely different professional fields.
6. For these reasons, as amplified and supported by the detailed responses below, the differences between the subject matter which we seek to patent and the prior art are such that the subject matter as a whole would not have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. We therefore request our claims be approved and a patent be granted.

Re claim 1, Peters teaches a method for assessing risks (Para. 0003 and 0006; Peters assesses a client's investment profile and evaluates the risk dimensions of the client's current portfolio holdings) comprising:

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The key is understanding that the term 'assessing risk' means different things in terms of the art employed in Peters and in our application. In Peters, the term risk assessment is used in Para. 0003 without any explanation. We have to go to Para. 0012 to find an expansion of what this term means as follows:

... The method frequently employs a questionnaire assessment of the investor's general attitude toward risk, in which the key questions seek to categorize the investor's preferred risk posture in one of the following: "very conservative", "moderately conservative", "moderately aggressive", "aggressive", "very aggressive" etc.

Peters' usage of the term 'risk assessment' is one in which he uses questions to determine an investor's attitude toward risk. This usage is different in concept and application from our use of the term 'risk assessment' which we mean to determine actual risk arising from given factual situations. These two usages of the term 'risk assessment' are sufficiently different to preclude absolutely their interchangeable use in that they represent two entirely different usages of the terms and two different professional arts – that of maximizing investment vs. that of assessing the potential for loss. Attempting to measure attitudes does not equate to measuring actual risks.

In Parta. 0006, Peters uses the term 'risk profile' to represent the risk postures mentioned in Para. 0012 which is quoted above. Once again, this is a determination of an attitude towards risk not a determination of the risk itself.

creating a questionnaire containing a series of questions for prompting a user to supply information segmented according to risk areas, wherein the risk areas encompass categories of potential loss (Para. 0012; figs. 2a (element 2116), 4a-4b. and 12; Peters discloses risk assessment by having questionnaire in which the key questions seek to categorize the preferred risks)

Again, the terms used reflect different terms of art. Peters' Para. 0012 states:

... The method frequently employs a questionnaire assessment of the investor's general attitude toward risk, in which the key questions seek to categorize the investor's preferred risk posture in one of the following: "very conservative", "moderately conservative", "moderately aggressive", "aggressive", "very aggressive" etc.

In Fig 4a, Peters gives the following explanation of the use of his questions:

The questions we ask are intended to provide some insight into your time horizon (i.e. how much time before you need the money you are investing) and investment experience.

Peters' own explanation makes it clear that his questions are not designed to determine risk, but to gauge an investor's experience and his or her attitude toward investment

horizons. This usage of 'risk assessment' in Peters means to determine an attitude towards risk. Peters' methodology and underlying assumptions have nothing to do with the determination of risk in a given factual situation. The difference in usage is sufficient to allow our claims to stand.

providing a data store for recording data identifying user responses to the questions. (figs. 2a, 3, and 4a-4b: Peters discloses a database for storing responses from user in relation to risk assessment)

Again, the difference in the use of the term 'risk assessment' demonstrates that the claims simply are not comparable in terms of the art employed.

programming a series of scoring rules containing an algorithm whereby the user responses are interpreted as indicating a predetermined level of risk at least as to categories of said potential losses (Para. 0009-0013 and 0058, ; figs. 12 and 15: Peters discloses how expected return increases as risk increases in a programming algorithm)

A review of Peters' Paras. 0009-0013 and 0058, figs 12 and Fig 15 reinforces the clear difference in the respective definitions of 'risk assessment' employed by Nagan and Peters. In Fig 15, Peters applies the term 'risk' to the x coordinate which should be more properly titled 'standard deviation' and is so noted in parenthesis. In Para. 009, in which Peters outlines the algorithm used to create the graph shown as Fig 15, Peters does not mention the term 'risk' but describes it as follows:

... The method then seeks to combine the asset classes in linear combination so as to achieve the singly-dimensioned probability distribution of investment returns with the maximum expected value for a given standard deviation.

Peters' use of the term 'risk assessment' is synonymous with the standard deviations from the calculated curve called the 'efficient frontier' as defined in Para. 0010 through Para. 0013. This usage is about achieving, or not achieving, a maximum return. Specifically in Peters Para. 0013:

... Frequently central in these exhibits is the efficient frontier itself, displayed in the plane of expected return vs. standard deviation.

It is particularly noteworthy that Peters does not use the term "risk" in the definition of the graph, and that it only appears in the next sentence:

... The exhibit is intended to show how expected return increases as risk increases.

The analysis of returns (profits) vs. risk, when risk is equated with standard deviation, is completely different from our risk analysis which measures the potential for risk against the relevant risk-producing factors.

Peters has replaced the term 'standard deviation' with the term 'risk' with no explanation as to why the terms could be used interchangeably. In Peters, the definition of risk is equivalent to the standard deviation away from a given expected value (Peters Para. 0009), specifically maximum return. Nowhere in Peters does the concept of risk assessment encompass the risk of loss. Risk, according to Peters, only means the potential for less than optimal outcomes. In Peters, the terms cannot be used interchangeably; there is no construction of "standard deviation" that equates to our concept and application of the term "risk."

**Our definition of risk:**

... Wherein the risk areas encompass categories of potential losses including legal and technology exposures in business practice, operational procedures, historical experience, compliance with regulations, and external threats including infrastructure failures and third party actions;

(Nagan Claim 1)

is entirely different in concept and application from the definition of 'risk equivalent' set out in Peters.

In analyzing and comparing Peters to Nagan, the definitions matter. The 'risk assessments' are being undertaken in different ways, with different techniques, on different factual underpinnings, and with different outcomes. In light of this fundamental difference in the terms of art to which the subject matter pertains we respectfully request our claims be allowed.

presenting the questionnaire to a user and collecting the user responses in the data store (figs. 4a-4b and 14)

The use of the questionnaire is necessary, but as it is capturing different information to be used for different purposes (assessing attitudes in Peter's vs. assessing risk of loss in our submission), the teaching is different.

processing the user responses through the scoring rules and the algorithm to generate a report identifying risk levels according to the risk areas (Para. 0007; figs. 15-17).

The scoring rules of Peters and Nagan measure different factors, as we have discussed above, and are designed to generate reports reflecting those differing measurements. Nowhere in Para 0007 does Peters use the term 'risk.' Rather, he uses the term "optimized portfolio" which means maximizing return – a concept wholly different from assessing risk of loss. Another important distinction between Peters and Nagan is that reports generated using Peters' methodology do not directly reflect the result of the assessment, but rather an analysis of an investor's account balances and holdings. The applicability of these teachings of Peters to assessing the risk of possible loss under given factual circumstances, as in Nagan, would not be obvious to a person having ordinary skill in the art to which said subject matter pertains – that of maximizing the return on an investment portfolio.

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However, Peters does not explicitly teach legal and technological exposures in business practice, operational procedures, historical experience, compliance with regulations, and external threats including infrastructure failures and third party actions. On the other hand, Segal discloses legal and technological exposures in business practice, operational procedures, historical experience, compliance with regulations, and external threats including infrastructure failures and third party actions when he discloses different types of legal subject matters, professional liability claims, and insurance in relation to historical data or historic risk, insurance regulations, credible threats, and third party Database Computer System (col. 2, line 50 to col. 3, line 29; col.8, lines 20-62; col. 12, lines 1-18; figs. 38-39b).

**The objective of Segal summarized from - Section A. Objects of the invention - is to provide a deterrent to the filing of frivolous professional liability claims and the broad view of the invention is (Col 3 line 19-29**

**“... A computer implemented method for determining a premium structure for insurance providing coverage including counterclaim coverage, the method comprises the steps of: receiving actuarial data and census data, at least one of said data including indicia of litigation frequency and cost; computing a premium structure, based upon the actuarial data and the census data, for the insurance providing coverage including counterclaim coverage; and generating insurance documentation including premium structure.”**

**Further in the preferred embodiment as described in Col 8, lines 44-48, Segal reiterates the objective of creating a premium structure as follows:**

**“In carrying out a preferred embodiment, as viewed from a computer science standpoint, there is a computer-assisted or computer –implemented method for determining a premium structure for insurance providing coverage including funding counterclaim.”**

**Nowhere in statement does Peters mention assessing the risk, or potential loss, in a given factual situation. The data mentioned is gathered to provide background in the creation of the premium. Segals' teaching is directed to the creation of an insurance premium. It would not be obvious to one of ordinary skill that an approach used in the creation of a premium is the same as the approach used in assessing the risk, or potential loss, in a given situation because, in fact, they are not the same. While Segal uses some similar terms for similar information and data used, the objective and summary describe wholly different processes between the teachings of Nagan and Peters. The subject matters are different as are the terms of art making the comparison inappropriate. Accordingly, we request that our claims be reinstated.**

He discloses the system for developing a set of criteria that could allow an objective determination of the qualification for benefits to be made, at least in the first instance, by a computer, based, e.g., on responses by the physician to a questionnaire developed for a purpose.

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**The purpose of the questionnaire mentioned is regarding whether or not a claim is frivolous as stated in Segal col 8 lines 15-20 as follows:**

**“... Therefore, depending on the benefit structuring, as discussed above, as part of the plan of insurance, an independent review of the underlying claim, to determine whether or not it could be proved to have been frivolous, is conducted when a claim for counterclaim benefits is made.”**

**Therefore, the purpose of the questionnaire is to determine if a claim is frivolous and if benefits should be paid. The purpose of the questionnaire is not to assess the risk of a given factual situation. The art of using a questionnaire to determine frivolity is different than the art of using a questionnaire to determine the potential of loss. Simply because both processes employ a questionnaire does not make the two processes equivalent. It would not be obvious to one of ordinary skill that the use of a questionnaire in determining to pay a claim applies to assessing the risk of loss in a complex environment. The comparison is inappropriate and we accordingly request that our claims be reinstated.**

He also discloses data processing map for the third party Database Computer System wherein the information reflects the quality of the book of business insured for counterclaim insurance. Thus, it would have been obvious to one of ordinary skill in the art to enable legal and technological exposures in business practice, operational procedures, historical experience, compliance with regulations, and external threats including infrastructure failures and third party actions for insurance in regulating policy as disclosed in Segal.

**We assume that the reference is to Fig 39a, the third party databases addressing the gathering and redistributing of information, whether singular (such as specific MD related information) and in the aggregate (such as profit/loss or surplus/reserves), for the purpose either affecting premium rates or to communicate specific MD's activity in the medical malpractice area. These data bases all support Segal's stated objects of his invention:**

**“It is an object of this invention to attempt to provide an improved deterrent to the filing and prosecution of litigation, especially frivolous professional liability claims.”**

**It would not be obvious to one of ordinary skill in the art that the Segal data processing map, which is designed to provide information to modify premiums, and to redistribute information to third parties, could be modified to a process that assesses risk across the range of legal and technological exposures in business practice, operational procedures, historical experience, compliance with regulations, and external threats including infrastructure failures and third party actions. The information required and processed is not similar, the processing itself is different, and the objectives are different. Accordingly, because the comparison is inappropriate, we request that our claims be reinstated.**

Re claim 2, Peters teaches storing a series of recommendations associated with the risk areas, selecting among the recommendations as a function of at least one of the user responses and the risk levels identified by said processing step, and presenting selected ones of the recommendations in the report (Para. 0006-0007 and 0016). Peters recommends specific

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portfolio changes based on asset classes to create an optimized portfolio for the client's investment profile.

**The use of the phrase 'risk areas' in this context is not consistent with the assessment criteria as stated at the end of Peters' Para. 0006:**

**"... These recommendations are typically based on an assessment of the client's investments goals, time horizon, risk profile and current investment portfolio."**

These are not 'risk areas' in the sense of risk of loss, nor does Peters label them as such. In addition, the 'risk profile' mentioned is a categorization of the 'investors preferred risk posture'. The references in Paras. 0006-0007 refer to the process whereby an investment advisor reviews and reallocates an investors portfolio, either manually or using a computer system, based on the elements listed above. In his Para. 0016, Peters describes is describing a limitation of existing approaches to portfolio creation. This description does not teach any new art and it certainly does not discuss or describe risk assessment as we use the term. We have articulated this distinction above and will not repeat it here. It would not be obvious to one of ordinary skill in the art of creating an investment strategy, or maximizing an investment return, to use these teachings to create a generalized risk assessment process. Accordingly, because the comparison is inappropriate, we request that our claims be reinstated.

Re claim 3, Peters teaches creating a database and storing the questions and the user responses for a plurality of users for comparison in risk assessments of future users (Para. 0062: figs. 2a, 3, and 4a-4b).

**In this context, several points are critical:**

- 1. Peters defines 'risk assessment' as the standard deviation from a standard return on an investment. (See comments above). This is not risk assessment as we use the term. The terms reflect different arts.**
- 2. There is no reference in the source cited (Para. 0062) regarding the creation of a database for the purpose of comparing risks assessments of multiple users, only the ability of a single user to communicate changes to their portfolio, not to their risk assessments.**

These points make it clear that it would not be obvious to one of ordinary skill in the art to use these teachings to create a generalized risk assessment database that would compare multiple users. Accordingly, because the comparison is inappropriate, we request that our claims be reinstated.

Re claim 4, Peters teaches at least one of segmenting of the risk areas, creating the questionnaire and composing the algorithm comprises reliance on available data and judgment of professionals skilled in the risk areas (Para. 0081).

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In Para. 0081, Peters describes the use of a questionnaire to assess a risk profile and to establish time horizons. Specifically "... These hypothetical questions 416, 418, & 420 establish how the user reacts under various financial pressures." In Para. 0012, Peters also states:

... The method frequently employs a questionnaire assessment of the investor's general attitude toward risk, in which the key questions seek to categorize the investor's preferred risk posture in one of the following: "very conservative", "moderately conservative", "moderately aggressive", "aggressive", "very aggressive" etc.

These two citations, read together, provide an accurate description of Peters' concept and use of the term 'risk assessment' as a process in which questions are used to determine an attitude toward risk. This is entirely different from our use of the term as a process to determine the risk inherent in a given factual situation. These two usages of the term 'risk assessment' are sufficiently different to preclude their interchangeable use as they represent two entirely different usages and two different arts.

In Para. 0006, Peters uses the term 'risk profile' to represent the risk postures mentioned in Para. 0012 which is quoted above. This demonstrates once again that Peters' use of the term represents an attempt to determine an attitude towards risk, not a determination of the risk itself.

This fundamental distinction between the concept and usages of the term demonstrate that it would not be obvious to one of ordinary skill in the art to use these teachings to create a generalized risk assessment questionnaire to assess the risk inherent in a given factual situation rather than one that assesses attitudes. Accordingly, because the comparison is inappropriate, we request that our claims be reinstated and our patent approved.

Re claims 5-7, Peter does not explicitly teach risks are selected from the group consisting of risk of a claim of loss due to computational deficiency, denial of service, security breach, violation of legal regulations, tort, contractual breach, insufficient capacity to meet contractual requirements, breach of commitment of confidentiality, violation of intellectual property rights, failure to adhere to multi-jurisdictional differences in regulation. Nevertheless, Peters discloses risks assessment can be used in other embodiments (para.0096). Thus, it would have been obvious to one of ordinary skill in the art to include different risks as questionnaires scenarios for the same result as in the method that discloses in Peters.

As we have described in previous comments, Peters' definition of 'risk assessment' embodies the standard deviations from a standard return on an investment. (See comments above). This does not fit our definition of risk assessment, which is to determine the risk (potential loss) arising under a given factual set of circumstances. These represent different subject matters. It would not be obvious to one of ordinary skill in the art of assessing attitudes and returns on investments to use the techniques described to assess the risk in a given business situation, such as the operation of a Internet site. The terms, while similar,

are fundamentally different. Accordingly, the comparison is inappropriate and therefore we request that our claims be reinstated.

Re claim 8, Peters teaches questionnaire requires selection among a limited set of possible answers and the algorithm quantifies risk based on each possible answer (4). In figure 4a, Peters illustrates the claimed limitations.

To understand the difference we must examine the terms used in Fig 4. First, the use of the questionnaire is "... to provide some insight into your time horizon (i.e. how much time before you need the money you are investing) and investment experience." Peters does not use the term to determine the potential of loss as we do. It is also important to note that Peters uses the phrase "potential for loss" as integral to a description of the movement of and resultant returns from stocks (Fig 4) as follows:

**"Although stocks can go up or down more than bonds or money market instruments in any given year, over longer periods of time (i.e. over 5 years), stocks not only produce much better returns than other investments and outpace inflation but the potential for loss is greatly diminished."**

Peters does not use his questions to determine the risk arising from a given factual situation, but rather to determine investors' attitudes toward risk. Peters does not quantify the risk in response to the questionnaires beyond determining an investor's risk profile as "Short term, Conservative, Moderately Conservative, Moderate, Moderately Aggressive, Aggressive". A questionnaire that attempts to determine attitudes is constructed significantly differently from a questionnaire that attempts to determine the risks inherent in a given business situation. A questionnaire that attempts to determine attitudes will have questions about objectives, experience, attitudes, beliefs, and possible reactions. In contrast, a questionnaire that attempts to determine the risks arising from a given factual situation will have questions that determine factual matters. The art of using questions to determine attitudes is fundamentally different that the art of using questions to determine inherent risks.

Accordingly, the comparisons are inappropriate as the subject matters are different, the meanings and usages of terms are different, and the processes differ in substance and results. In short, the application would not be obvious to a person having ordinary skill in the referenced art. Therefore, our claims should be reinstated and our patent application approved.

Re claim 9, Peters teaches questionnaire requires selection among yes/no and numeric answers (Figs. 5 and 4a). In figure 5, Peters discloses yes/no answers and in figure 4a he discloses numeric answers.

The use of a questionnaire is not unique to Peters or to us. It is the nature of the questionnaire and the intended use of the responses which make them different and not obvious. Peters uses the questions to determine an investment horizon and the investors' need for the money invested. We use the questions to determine the level of potential loss in

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a given situation. These are not equivalent concepts or applications. It would not be obvious to a practitioner of ordinary skill in the art of using questionnaires to assess attitudes to use a questionnaire to assess potential loss, or to assess risk in the sense that we mean it. Accordingly, the comparison is inappropriate and therefore we request that our claims be reinstated.

Re claim 10, Peters teaches questionnaire permits at least one of a missing answer and an answer indicating a lack of information, and wherein the algorithm assesses the risk levels as a function of said one of a missing answer and said lack of information (fig. 4a-4b).

We cannot find any reference in Peters' Fig 4a-4b to how a missing answer is treated. Rather, it appears that all questions have to be responded to in full. On the other hand, we expressly state that when assessing risk (in our case the potential of loss) the lack of a response is in and of itself a determining factor that would not be obvious to an ordinary practitioner skilled in the art of using questionnaires. Accordingly, the reference is inappropriate and we request that our claims be reinstated.

#### Conclusion

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure.

We believe the arguments we have presented above demonstrate that the prior art of record is not pertinent to our disclosure and respectfully request reconsideration and allowance of our claims.